

Message Text

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ACTION NEA-12

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LAB-06 CIEP-02 DRC-01 /129 W
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R 290745Z MAR 74

FM AMCONSUL LAHORE

TO SECSTATE WASHDC 9938

INFO AMEMBASSY ISLAMABAD

AMCONSUL KARACHI

C O N F I D E N T I A L SECTION 1 OF 3 LAHORE 0482

C O R R E C T E D C O P Y (PARA. 3.)

E.O. 11652: GDS

TAGS: PINT, PK

SUBJECT: TALK WITH PUNJAB CHIEF MINISTER RAMAY

REF: LAHORE 0474

BEGIN SUMMARY: DURING COURTESY CALL, NEW PUNJAB
CHIEF MINISTER DISCUSSED DOWNFALL OF HIS PREDECESSOR,
RELATIONS WITH US, HIS POLITICAL AND ECONOMIC PHILOSOPHY,
AND HIS MAJOR PROBLEMS AND IMMEDIATE GOALS. THIS IS REPORTED
AT GREATER LENGTH THAN USUAL BECAUSE IT IS INTERESTING
AND BECAUSE WE HAVE EXTREMELY SLUGGISH POUCH SERVICE.
END SUMMARY

1. LAST WEEK I SENT CHIEF MINISTER HANEEF RAMAY A SHORT
NOTE CONGRATULATING HIM ON HIS PROMOTION AND SAYING I
WANTED TO CALL ON HIM WHEN HE HAD TIME. ON MARCH 27 I HAD
ONE OF OUR LOCALS CASUALLY INQUIRE AT THE CHIEF MINISTER'S
OFFICE ABOUT AN APPOINTMENT, SAYING I WAS IN NO HURRY SINCE
RAMAY WAS PRESUMABLY BUSY. TO MY SURPRISE, HIS PRIVATE
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SECRETARY RANG ME WITHIN TWO HOURS TO SAY I COULD COME

TO CALL THAT EVENING.

2. WHEN I WENT TO THE CHIEF MINISTRY'S ASSEMBLY CHAMBERS, HE SEEMED GENUINELY GLAD TO SEE ME AND, BEFORE I COULD SAY A WORD, THANKED ME FOR BEING THOUGHTFUL ENOUGH TO COME TO CALL. I TOLD HIM I WAS GRATEFUL THAT HE HAD FOUND TIME TO SEE ME BECAUSE I THOUGHT IT IMPORTANT THAT THE CONGEN ESTABLISH GOOD RELATIONSHIP WITH HIM FROM THE OUTSET OF HIS TENURE IN OFFICE. FOR THAT REASON, I WANTED TO PERSONALLY CONGRATULATE HIM AND TO TELL HIM THAT WE WISHED HIM WELL, AND THAT WE LOOKED FORWARD TO FUTURE COOPERATION AND MUTUAL UNDERSTANDING. RAMAY RECIPROCATED MY REMARKS, SAYING HE WAS SURE THERE WOULD BE MANY OCCASIONS IN WHICH WE COULD WORK CLOSELY IN MUTUALLY BENEFICIAL WAYS.

3. ON THE SUBJECT OF HIS PREDECESSOR, THE CHIEF MINISTER RECALLED THAT THE NIGHT HE CAME TO MY HOUSE FOR DINNER IN HONOR OF THE AMABASSADOR (MARCH 9) HAD BEEN HIS "TURNING POINT." HE SAID THE NEXT DAY HE FOUND HIMSELF IN A POSITION TO FORM A NEW GOVERNMENT, SINCE KHAR HAD STEPPED DOWN. HE REFERRED VAGUELY TO "FUNNY STORIES" THAT HAD SURFACED CONCERNING THE CHANGE OF PUNJAB CHIEF MINISTERS, AND EXPLAINED THAT "OUR FRIEND MR. KHAR" HAD GONE A BIT BEYOND HIS MANDATE AND HAD TRIED TO ASSUME POWERS THAT SHOULD HAVE BEEN RESERVED TO THE CENTRAL GOVERNMENT. THE PROBLEM HAD BEEN RESOLVED ONLY BY THE PRIME MINISTER TELLING KHAR HE HAD TO GO, AND NOW HE (RAMAY) WOULD TRY TO MOVE PUNJAB AHEAD IN THE PROPER DIRECTION. LATER, IN ANOTHER CONTEXT, THE CHIEF MINISTER SAID HE HAD BEEN TERRIBLY BUSY DURING HIS FIRST 15 DAYS, PARTIALLY BECAUSE OF "SOME TRICKS OUR FRIEND MR. KHAR HAS BEEN UP TO." HE BELIEVED HE HAD OVERCOME THE PROBLEMS CREATED BY KHAR, ONE OF WHICH WAS THE CREATION OF SOME LABOR UNREST.

4. SINCE DURING HIS NEWSPAPER DAYS RAMAY HAD SOMETHING OF A REPUTATION AS AN ANTI-AMERICAN, I TOOK THE OCCASION TO FEEL HIM OUT ON WHAT HE THINKS OF US NOW. I REMARKED THAT I THOUGHT IT WAS IMPORTANT THAT WE UNDERSTAND EACH OTHER BECAUSE AS A NATION THE US HAD AN INVESTMENT IN PAKISTAN -- AN INVESTMENT THAT HAD LASTED FOR A NUMBER OF YEARS AND ONE WE WISHED TO PROTECT. EVEN THOUGH THAT INVESTMENT HAD OF COURSE BEEN CHanneled

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THROUGH WASHINGTON AND ISLAMABAD, MUCH OF IT HAD FILTERED TO PUNJAB. FOR THAT REASON, WE WOULD BE INTERESTED TO KNOW IN WHAT DIRECTION HE AND HIS GOVERNMENT WERE HEADED. THE CHIEF MINISTER TOOK THE CUE AND SAID HE THOUGHT THERE HAD BEEN SOMETHING OF A MISUNDERSTANDING IN OTHER COUNTRIES, AND PARTICULARLY IN THE UNITED STATES, ABOUT PAKISTAN'S AIMS. HE REMEMBERED THAT PRESIDENT KENNEDY HAD ONCE MADE A SPEECH IN WHICH HE ADVOCATED FULL USG SUPPORT FOR INDIA

SOLELY BECAUSE INDIA WAS THE WORLD'S LARGEST DEMOCRACY. HE QUOTED KENNEDY AS HAVING SAID THAT IF INDIA SUCCEEDED AS A DEMOCRACY, THEN OTHER ASIAN COUNTRIES WOULD TRY TO EMULATE THE PROCESS, BUT IF INDIA FAILED, THEN THEY WOULD LOOK TO CHINA. RAMAY THOUGHT MANY THINGS HAD CHANGED SINCE THAT TIME, AND HE BELIEVED IT WAS TIME THE US TOOK A LOOK AT ASIAN EXAMPLES OF DEMOCRACY OTHER THAN INDIA. PAKISTAN, FOR INSTANCE, HAD, UNDER THE AEGIS OF THE PEOPLES PARTY, PLANTED THE FLOWER OF DEMOCRACY. HE, HIS GOVERNMENT AND MR. BHUTTO WERE DETERMINED THAT DEMOCRACY WOULD TAKE ROOT AND FLOURISH IN PAKISTAN AND HE HOPED THE US WOULD SUPPORT THEM IN THAT EFFORT. THROUGHOUT THE REMAINDER OF THE CONVERSATION, WHICH TOUCHED ON SEVERAL SUBJECTS, THE CHIEF MINISTER RETURNED TO THE SUBJECT OF PAKISTAN AND THE US, AND MADE A PARTICULAR EFFORT TO REASSURE ME THAT IT WAS OF REAL IMPORTANCE FOR PAKISTAN TO BE A FRIEND OF THE US AND VICE VERSA. HE SAID HE UNDERSTOOD, WAS COMPLETELY CONVINCED OF AND BELIEVED THAT PAKISTAN AND THE US HAD MANY THINGS IN COMMON, WERE ON THE SAME WAVE LENGTH, AND UNDERSTOOD EACH OTHER. HE MAINTAINED THAT HE WOULD DO WHATEVER HE COULD TO SEE THAT OUR RELATIONSHIP IS STRENGTHENED.

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FM AMCONSUL LAHORE

TO SECSTATE WASHDC 9939

INFO AMEMBASSY ISLAMABAD

AMCONSUL KARACHI

C O N F I D E N T I A L SECTION 2 OF 3 LAHORE 0482

5. TURNING TO HIS OWN POLITICAL PHILOSOPHY, RAMAY SAID HE AND MR. BHUTTO (HE ALWAYS SPOKE OF HIMSELF AND THE PM IN

THAT ORDER) WERE NATIONALISTS ABOVE ALL AND PRIMARILY INTERESTED IN WHAT WAS GOOD FOR PAKISTAN. THEY THOUGHT THAT ONE OF THE THINGS THAT WAS BEST FOR THE COUNTRY WAS DEMOCRACY, AND THEY WERE DETERMINED TO SEE IT SUCCEED. THEY ALSO WANTED SOCIALISM, AND WHILE THEIR FORM OF SOCIALISM MIGHT BE DIFFERENT FROM OTHER PEOPLE'S NOTIONS, IT WAS A PAKISTANI FORM OF SOCIALISM THAT WAS BEST SUITED FOR THIS COUNTRY. PEOPLE HAD TRIED TO GIVE IT ALL SORTS OF LABELS AND INTERPRETATIONS, BUT MOST OF THEM WERE WRONG. FOR INSTANCE, THERE WERE LIMITS TO PAKISTAN'S SOCIALISM; THEY HAD COMMITTED THEMSELVES TO CERTAIN ACTIONS IN THE PPP MANIFESTO, BUT IN PRACTICE THE GOVERNMENT WAS NOT TIED IMMUTABLY TO THOSE WORDS.

6. IN PASSING, I TRIED TO FISH HIM OUT ON WHO ELSE HE MIGHT BRING INTO HIS CABINET. I TOLD HIM THAT WE HAD MET MOST OF THE MINISTERS HE HAD ALREADY NAMED AND THAT, IN PARTICULAR, WE HAD DEVELOPED A CLOSE WORKING RELATIONSHIP WITH DR. KHALIQ. HE SEEMED PLEASED AND HOPED WE WOULD CONTINUE TO SEE KHALIQ, WHO WAS ONE OF THE FINEST MEN HE HAD EVER MET. HOWEVER, HE
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REFUSED TO BE DRAWN OUT ON WHAT IS TO COME.

7. IN AN EFFORT TO LEARN SOMETHING ABOUT HIS ECONOMIC POLICIES, I TOLD THE CHIEF MINISTER I HOPED HE WOULD LOOK INTO SOME LOCAL PRACTICES WHICH WERE COSTING THE PROVINCE MORE THAN NEED BE. I REMINDED HIM THAT WE HAD PREVIOUSLY DISCUSSED THE SUBJECT OF SMUGGLING FOODGRAIN OUT OF THE PUNJAB, AND SAID I WAS ALSO CONCERNED AT THE INORDINATE DELAYS THAT USUALLY ACCOMPANIED PURCHASES OF MAJOR FOREIGN ITEMS. I ARGUED THAT THE PROCESS, OF WHICH HE WAS SURELY AWARE, USUALLY RESULTED IN MUCH HIGHER PRICES BEING PAID, AND SUGGESTED THAT PAKISTAN SORELY NEEDED THE MONEY THUS WASTED. I REFERRED SPECIFICALLY TO SOME TEXTILE MACHINERY FOR A FIRM IN MULTAN AND SOME OTHER MACHINERY FOR A FERTILIZER PLANT.

8. RAMAY RETORTED THAT POLITICS HAD BECOME INVOLVED IN THE MULTAN DEAL. (THAT IS PUTTING IT MILDLY -- IT WAS ALL POLITICS.) THEN HE DELIVERED HIMSELF OF A RATHER IMPASSIONED MONOLOGUE ABOUT THE PUNJAB'S ECONOMIC PROBLEMS AND HOW HE PLANNED TO ATTACK THEM. HE BEGAN BY SAYING HE HOPED WE WOULD LET HIM KNOW IF WE HAD SIMILAR PROBLEMS IN FUTURE, AND HE WOULD PERSONALLY INTERVENE BECAUSE SUCH PRACTICES WERE HURTING PAKISTAN. HE ASSERTED THAT IN ORDER TO GET THE ECONOMY GOING AN ATMOSPHERE OF CONFIDENCE HAD TO BE CREATED, AND THE CONFIDENCE HAD TO BE INSTILLED IN ALL SECTORS; PUBLIC, PRIVATE, DOMESTIC, FOREIGN, MANAGEMENT AND LABOR. THE GOVERNMENT HAD TRIED TO ASSURE BUSINESSMEN IN BROAD TERMS THAT THEY WOULD NOT BE HURT AS LONG AS THEY DID NOT TRY TO CHEAT. HOWEVER, HE

HAD TO ADMIT THAT THE GOVERNMENT HAD DONE
SOME THINGS THAT FRIGHTENED THE BUSINESS COMMUNITY. IF HE HAD
BEEN IN CHARGE, HE PROBABLY WOULD HAVE MOVED IN DIFFERENT
WAYS. FOR INSTANCE, HE SAW NO NEED TO NATIONALIZE ANYTHING
BUT THE BANKS, BECAUSE ONCE YOU CONTROLLED THE BANKS, YOU
COULD DIRECT THE ALLOCATIONS WHERE THEY WERE MOST NEEDED AND
AVOID THE CONCENTRATION OF WEALTH IN THE HANDS OF A FEW IN-
DUSTRIALISTS. OF COURSE, THE NATIONALIZATION OF FOREIGN
CONCERNS HAD TO BE AVOIDED, BECAUSE FOREIGN INVESTMENT WAS
NEEDED BADLY. HOWEVER, THERE WAS PLENTY OF MONEY IN PAKISTANI
HANDS -- FINANCE MINISTER MUBASHIR HASAN HAD JUST TOLD THE PRESS
THERE WERE HUNDREDS OF CRORES OF UNUTILIZED RUPEES FLOATING
AROUND THE COUNTRY. THIS MUST BE LOOKED INTO, AND A CLIMATE
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MUST BE CREATED WHEREBY PAKISTANIS WOULD INVEST THEIR MONEY
IN INDUSTRIES WHERE THE CAPITAL WAS MOST NEEDED. OTHERWISE,
THAT MONEY WOULD GO INTO CONSUMER GOODS, INTO LAND, OR FLEE
THE COUNTRY. IF THIS COULD BE ACCOMPLISHED, THEN FOREIGN
CAPITAL WOULD ALSO BE ATTRACTED.

9. THE CHIEF MINISTER SAID THAT IN ORDER TO HELP ESTABLISH
THE BEST CLIMATE, THE GOVERNMENT HAD WORKED TO REASSURE
EVERYONE THAT ITS PROCESS OF NATIONALIZATION HAD BEEN STOPPED
"FOR THE TIME BEING." HE HAD BEEN PARTICULARLY CONCERNED
ABOUT THE TAKEOVER OF
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INFO AMEMBASSY ISLAMABAD
AMCONSUL KARACHI

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10. THIS LED RAMAY INTO A DISCUSSION OF PRICES IN WHICH HE SAID HE HAD DECIDED TO IMPOSE FREEZES OR CONTROLS ON MOST PRICES. WHILE THIS MIGHT CAUSE SOME UNHAPPINESS AMONG FARMERS, HE BELIEVED MOST FARMERS EITHER WERE, OR WORKED FOR, RELATIVELY WEALTHY PEOPLE WHO COULD ABSORB SMALL LOSSES FOR A BRIEF PERIOD. ON THE OTHER HAND, THE WORKERS AND CITY DWELLERS HAD NO SUCH CUSHION, AND WOULD SOON BEGIN TO RIOT UNLESS SPIRALING COSTS OF LIVING WERE CONTROLLED. IN FACT, THE PROVINCE WAS ALREADY BEGINNING TO EXPERIENCE LABOR TROUBLES BECAUSE OF THIS FACTOR (IN ADDITION TO THOSE STRIKES ENGINEERED BY KHAR), AND HE HAD JUST HELD A MEETING OF HIS OFFICIALS TO TELL THEM THIS HAD TO STOP. HE HAD TOLD THEM THEY MUST TREAT ALL SIDES EQUITABLY. LABOR MUST BE GIVEN ITS JUST DUES, BUT MUST NOT BE ALLOWED TO MAKE UNREASONABLE DEMANDS. MANAGEMENT MUST BE ALLOWED A REASONABLE SCOPE TO HIRE AND FIRE, BUT MUST NOT BE ALLOWED TO TAKE UNREASONABLE ACTIONS.

11. RAMAY HOPED HIS EFFORTS WOULD SUCCEED IN FLUSHING OUT INVESTMENT MONEY SO THAT MANY NEW INDUSTRIAL PLANTS COULD BE BUILT. THE SIZE OF THE PLANTS HE WANTED BUILT WOULD DEPEND UPON THE INDUSTRY, THE AVAILABILITY OF RAW MATERIALS, AND THE NEED FOR THE PRODUCT. IF HE WERE SUCCESSFUL, THEN EVERY-
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THING SHOULD FALL IN LINE: LABOR, IF IT FAILED TO GET WHAT IT WANTED FROM ONE MANAGEMENT, COULD GO DOWN THE STREET AND GET A JOB IN AN UPCOMING FACTORY; MANAGEMENT WOULD BE FREER TO OPERATE ACCORDING TO ITS OWN WISHES; MORE PRODUCTS WOULD MEAN LOWER PRICES AND THE POSSIBILITY OF GREATER FOREIGN EXCHANGE EARNINGS.

12. THE CHIEF MINISTER PLANNED TO DEVOTE ALMOST ALL HIS ENERGY TO HIS ECONOMIC PROGRAM; OTHERWISE THE COUNTRY WOULD NEVER SUCCEED. HE WOULD USE EVERY TOOL AT HIS COMMAND--CAJOLERY, PLEAS, PERSUASION, ENTICEMENT, AND EVEN STRONG-ARM TACTICS IF NECESSARY -- WHATEVER IT TOOK TO PUT THE PROVINCE ON A SOLID FOOTING. THERE HAD BEEN TOO MANY GAMES PLAYED, AND NOW PEOPLE MUST WORK TOGETHER FOR THE GREATER ECONOMIC BENEFIT OF ALL; ELSE THE COUNTRY WOULD FALL APART AND THE PEOPLES PARTY'S POLITICAL PROGRAMS, NOT TO SPEAK OF ITS ECONOMIC PROGRAMS, WOULD FAIL. IF IT WOULD HELP FOR HIM TO TALK TO VISITING AMERICANS WHO WERE POTENTIAL INVESTORS, HE HOPED I WOULD LET HIM KNOW, BECAUSE IT WAS IMPORTANT TO LET THEM KNOW THAT HIS GOVERNMENT WOULD HELP THEM AND THAT IT WAS DETERMINED TO IMPROVE CONDITIONS IN THE COUNTRY.

13. COMMENT: WHETHER RAMAY WILL SUCCEED IS DEBATABLE, GIVEN THE CIRCUMSTANCES, BUT IT IS REFRESHING TO SEE THE CONVICTION, DETERMINATION AND ENERGY WITH WHICH HE CONFRONTS HIS PROBLEMS.

HE IS CERTAINLY A DIFFERENT KETTLE OF FISH FROM HIS PREDECESSOR.
GRIFFIN

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